

KEEPING EXPENSES AND CASH FLOW IN CHECK: BUSINESS OWNERS

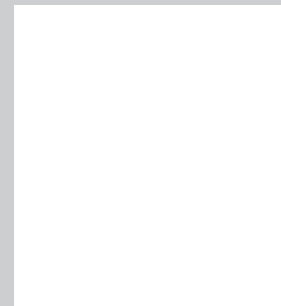
Whether companies are succeeding, struggling or somewhere in between, managing cash flow and expenses are critical for all of us. Challenges with cash flow and managing expenses can arise for a myriad of reasons, including late collections on accounts receivable, or facing new, competitive threats from other businesses. Regardless of the reason behind cash flow trouble, businesses need to have processes in place to ensure unexpected costs or slow cash flow does not impede success.

Optimizing Working Capital Remains a Top Priority

What are the finance function's most important business goals? Top three rank responses:



Source: Certify 2017



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What is EAP?

EAP is defined as a non-plastic commercial card account used to pay for goods and services after an invoice has been received. The essence of EAP is a dynamically-adjustable spending limit that is assigned to match the amount of each transaction. Hence, after the transaction is completed there is no available line of credit on the account.

Benefits of EAP

There are several benefits of using EAP. First, EAP reduces the cost and financial risk associated with check payment activity. Second, depending on when payment is made, EAP can significantly improve working capital by increasing “float” (the length of time between the date a purchase occurs and the date the payment is made). Third, EAP can reduce any financial risk associated with plastic cards as the EAP account numbers are typically tied to a credit limit designed to support a single transaction rather than multiple transactions. In addition, from the perspective of organizational demand for specific transaction data, an EAP transaction—since it traverses the traditional workflow approval routing within the accounting or Enterprise Resource Planning (ERP) information system—can satisfy whatever data requirements the organization requires of a traditional purchase. Further, in the case of single-use cards, the card numbers themselves can be matched to PO numbers to facilitate easier transaction reconciliation.

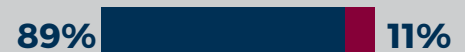
| | 2012 | 2015 | 2018 |
|---|-------------|-------------|-------------|
| Organizational Statistics | | | |
| Number of employees | 7,868 | 9,889 | 9,649 |
| Age of program (in years) | 2.90 | 3.36 | 4.27 |
| EAP Spending Metrics | | | |
| Average monthly EAP spending | \$1,070,751 | \$2,550,063 | \$3,047,846 |
| Median monthly EAP spending | \$168,750 | \$550,000 | \$600,000 |
| Monthly spending per employee | \$136 | \$258 | \$316 |
| Annual EAP spending as a percentage of revenue ¹ | 2.06% | 2.30% | 2.62% |
| Spending per transaction | \$2,359 | \$4,842 | \$4,754 |
| Percentage of Transactions Paid with EAP | | | |
| Transactions of \$2,500 or less | 14% | 17% | 20% |
| Transactions between \$2,501 and \$10,000 | 18% | 21% | 25% |
| Transactions between \$10,001 and \$100,000 | 17% | 18% | 16% |
| Transactions between \$100,001 and \$1 million | N/A | 8% | 8% |

¹Source: 2018 Electronic Accounts Payable Benchmark Survey Results



EAP Value to Respondents

- Moderate to Extreme Value
- No or Slight Value



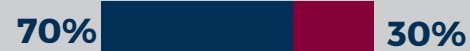
Reduced reliance on checks



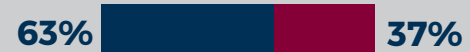
Enhance financial position



Improved organizational processes



Enhanced cyber security



Increased spending transparency



Strengthened control over spending

